

Health Insurance Proposal

1. The justification for your proposal

The union plan experience in 2010 is trending higher than expected and we are seeing more high claimants than in prior years. We would like to continue to offer market/peer company competitive plans and at the same time mitigate the cost increases.

EU+TU	
Medical	
2010 Budget Surplus / Deficit %	-9.1%
Expected Surplus/(Deficit) in 2010	(\$792,000)
Dental	
2010 Budget Surplus / Deficit %	-0.8%
Expected Surplus/(Deficit) in 2010	(\$8,000)
Rx	
2010 Budget Surplus / Deficit %	2.9%
Expected Surplus/(Deficit) in 2010	\$77,000
Medical, Dental and Rx	
2010 Budget Surplus / Deficit %	-5.9%
Expected Surplus/(Deficit) in 2010	(\$723,000)

2. The impact of the new federal law on your proposal

We implemented the required changes under reform law – for example:

- Added coverage of adult dependents to age 26,
- Preventive care coverage at 100%,
- Modifications to FSA expenses,
- We will implement additional reporting and communication requirements as required

3. What is the projection on the number of employees who will choose the premium, core and standard plans?

Projected 2011 Union Enrollment for Triple Plan Option

Coverage Tier	EU	TU	Total
Premium			
Employee Only	304	20	324
Employee + Spouse	142	16	158
Employee + Child	2	0	2
Employee + Family	185	16	201
Subtotal	633	52	685
Core (Basic)			
Employee Only	152	10	162
Employee + Spouse	71	8	79
Employee + Child	1	0	1
Employee + Family	92	8	100
Subtotal	316	26	342
Standard (New)			
Employee Only	51	3	54
Employee + Spouse	24	3	27
Employee + Child	0	0	0
Employee + Family	31	3	34
Subtotal	106	9	115
Total	1,055	87	1,142

Migration assumptions assumed 60% of employees enroll in Enhanced Plan, 30% in the Core Plan and 10% in the Standard Plan (Population projection based on census data as of 7/1/2010)

4. Are the proposed rates fixed for the life of the contract?

To be discussed

5. How much would be saved under AP's proposal?

Nothing; without the proposed changes, AP net cost is projected to increase \$1,095,000

Under the 3 tier plan

If no one changes their enrollment: AP's projected increase in cost is \$147,000

If we assume some individuals migrate and the enrollment is 60% in the Premium plan, 30% in the new Core plan, and 10% in the Standard plan: AP's projected increase in cost is \$353,000

2011 Projected Savings from Triple Plan Option

	2011 Budget		2011 AP Subsidy	
	Rate	Contribution	Dollar	Percent
2011 Rate increase	\$12,475,000	\$2,598,000	\$9,877,000	79.2%
2011 Triple Plan	\$12,210,000	\$2,847,000	\$9,363,000	76.7%
Projected Savings	\$265,000	-\$249,000	\$514,000	NA

Comparison of 2010 Budget, 2011 Same Subsidy or Triple Plan Option

(Allen asks for a chart showing the current premium rates for the premium and core plans broken down by the amount paid by AP and the employee and to the right of that the premium for the proposed standard, core and premium plans with the company and employee contributions for each.)

Triple Plan	Same subsidy												Triple Plan Option						
	2010 Budget		2010 AP Subsidy		Change in Contribution		2011 Proposed		2011 AP Subsidy		Change in Contribution		2011 Proposed		2011 AP Subsidy		Change in Contributions		
	Rate	Contribution	Dollar	Percent	Monthly \$	Percent	Rate	Contribution	Dollar	Percent	Monthly \$	Percent	Rate	Contribution	Dollar	Percent	Monthly \$	Percent	
Enhanced (Premium)																			
Employee Only	\$450.58	\$75.48	\$375.10	83.2%	NA	NA	\$493.94	\$82.74	\$411.20	83.2%	\$7.26	9.6%	\$493.94	\$112.26	\$381.68	77.3%	\$36.78	48.7%	
Employee + Spouse	\$913.59	\$207.60	\$705.99	77.3%	NA	NA	\$1,001.63	\$227.61	\$774.02	77.3%	\$20.01	9.6%	\$1,001.63	\$284.68	\$716.95	71.6%	\$77.08	37.1%	
Employee + Child	\$673.94	\$121.20	\$552.74	82.0%	NA	NA	\$738.75	\$132.86	\$605.89	82.0%	\$11.66	9.6%	\$738.75	\$210.25	\$528.50	71.5%	\$89.05	73.5%	
Employee + Family	\$1,381.00	\$304.74	\$1,076.26	77.9%	NA	NA	\$1,514.07	\$334.10	\$1,179.97	77.9%	\$29.36	9.6%	\$1,514.07	\$430.35	\$1,083.72	71.6%	\$125.61	41.2%	
Core (Basic)																			
Employee Only	\$430.24	\$72.24	\$358.00	83.2%	NA	NA	\$471.27	\$79.13	\$392.14	83.2%	\$6.89	9.5%	\$471.05	\$70.66	\$400.39	85.0%	-\$1.58	-2.2%	
Employee + Spouse	\$872.60	\$189.41	\$683.19	78.3%	NA	NA	\$955.95	\$207.50	\$748.45	78.3%	\$18.09	9.6%	\$955.50	\$191.10	\$764.40	80.0%	\$1.69	0.9%	
Employee + Child	\$643.45	\$110.59	\$532.86	82.8%	NA	NA	\$704.76	\$121.13	\$583.63	82.8%	\$10.54	9.5%	\$704.43	\$140.89	\$563.54	80.0%	\$30.30	27.4%	
Employee + Family	\$1,319.01	\$278.05	\$1,040.96	78.9%	NA	NA	\$1,444.98	\$304.60	\$1,140.38	78.9%	\$26.55	9.6%	\$1,444.31	\$288.86	\$1,155.45	80.0%	\$10.81	3.9%	
Standard (New)																			
Employee Only	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	\$452.75	\$47.12	\$405.63	89.6%	NA	NA	
Employee + Spouse	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	\$918.62	\$138.80	\$779.82	84.9%	NA	NA	
Employee + Child	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	\$676.99	\$102.10	\$574.89	84.9%	NA	NA	
Employee + Family	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	\$1,388.54	\$209.78	\$1,178.76	84.9%	NA	NA	
Total	\$11,380,000	\$2,370,000	\$9,010,000	79.2%	NA	NA	\$12,475,000	\$2,598,000	\$9,877,000	79.2%	\$228,000	9.6%	\$12,210,000	\$2,847,000	\$9,363,000	76.7%	\$477,000	20.1%	

Change in contributions is relative to 2010 Status Quo